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RECALLED

WHITE HOUSE SITUATION ROOM

PAGE 01 OF 02 WARSAW 0140
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C O N F I D E N T I A L WARSAW 0140

BRUSSELS FOR USEC
E.O. 12065: GDS 1/5/88 (MOORE, RALPH) OR-E
TAGS: EFIN, EGEN, PL
SUBJ: POLISH DEBT: BANK RESCHEDULING

1. C - ENTIRE TEXT.
2. ON JANUARY 5 WE MET WITH BANK HANDLOWY VICE PRESIDENT WOLOSZYN TO INQUIRE ABOUT UNCONFIRMED PRESS REPORTS THAT POLAND HAD PAID THE 350 MILLION DOLLARS IN INTEREST OWED TO WESTERN BANKS BY THE END OF 1981.
3. WOLOSZYN SAID HE HAD HEARD SUCH REPORTS YESTERDAY ON THE VOICE OF AMERICA, AND HAD AN INQUIRY FROM MINISTRY OF FINANCE OFFICIALS WHO HAD ALSO HEARD IT ON VOA. UNFORTUNATELY, IT IS NOT CORRECT. POLAND DID SUCCEED IN REDUCING THE AMOUNT OF INTEREST OUTSTANDING TO WESTERN BANKS TO 250 MILLION DOLLARS BY THE END OF THE YEAR. THE POLES MADE SOME LARGE PAYMENTS AFTER CHRISTMAS, INCLUDING PAYMENTS TO SOME US BANKS, AS AN INDICATION OF POLISH GOOD WILL WITH THE RESULT THAT 250 MILLION DOLLARS REMAINED OUTSTANDING. WOLOSZYN DENIED RUMORS THAT THE RUSSIANS HAD MADE HARD CURRENCY AVAILABLE TO POLAND FOR PAYING THE BANKS, AND HE DID NOT THINK THEY WOULD.
4. WOLOSZYN SAID THE BANK RESCHEDULING AGREEMENT WAS NOT SIGNED BY YEAR'S END, NOT ONLY BECAUSE POLAND HADN'T BROUGHT THE INTEREST PAYMENTS UP TO DATE, BUT ALSO BECAUSE THE AGREEMENT IS NOT FINISHED YET FROM A TECHNICAL STANDPOINT. TWENTY OF THE WESTERN BANK CREDITORS HAVE NOT YET SUBMITTED THE QUESTIONNAIRES GIVING DETAILS OF THE POLISH DEBT THEY HOLD, AND WHEN THEY DO BANK HANDLOWY WILL HAVE TO RECONCILE THEIR SUBMISSIONS WITH POLAND'S OWN FIGURES. IN ADDITION, SOME OF THE LEGAL LANGUAGE IN THE LENGTHY AGREEMENT STILL HAS TO BE MADE FINAL.

State Dept. review completed

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PAGE 02 OF 02 WARSAW 0140

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5. WOLOSZYN SAID A MEETING OF THE BANKS' MULTINATIONAL TASK FORCE IS TAKING SHAPE IN ORDER TO DISCUSS HOW THE WESTERN BANKS AND POLAND ARE NOW TO PROCEED. HE THOUGHT SUCH A MEETING MIGHT TAKE PLACE NEXT WEEK, PROBABLY IN A WESTERN EUROPEAN CAPITAL, BUT HE DIDN'T EXCLUDE THAT IT WOULD TAKE PLACE IN WARSAW. ONE THING CLEAR ABOUT THE WESTERN BANKS' POSITION IS THE GENERAL LACK OF A POSITIVE RESPONSE TO BANK HANDLOWY'S MID-DECEMBER APPEAL TO THE BANKS FOR A 350 MILLION DOLLAR LOAN TO BRING THE INTEREST PAYMENTS UP TO DATE. HE SAID POLAND WOULD CONTINUE TO MAKE ITS BEST EFFORTS AND TO PAY WHAT IT COULD, AND HE HOPED FOR UNDERSTANDING ON THE PART OF THE WESTERN BANKS.

6. WOLOSZYN RAISED THE US ECONOMIC SANCTIONS, FROM A MORE-SORROW-THAN-ANGER STANCE, AND WE HAD A GO AROUND ON THAT SUBJECT.

7. MOST BANK HANDLOWY TELEX FACILITIES WERE RESTORED LATE LAST WEEK, ALTHOUGH THE BANK IS STILL HINDERED ACCORDING TO WOLOSZYN BY THE ABSENCE OF INTERNATIONAL TELEPHONE COMMUNICATIONS. ALTHOUGH THE BANK HANDLOWY IS NOT A MILITARIZED ENTERPRISE, THERE IS CONSIDERABLE ARMED MILITARY PRESENCE IN THE LOBBY. MEEHAN
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